PUBLIC DISCLOSURE

April 6, 2015

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

BEVERLY BANK

CERT #26601

254 CABOT STREET

BEVERLY, MASSACHUSETTS 01915

Division of Banks
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Boston, MA 02118

Federal Deposit Insurance Corporation
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NOTE: This document is an evaluation of the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operations of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Federal Deposit Insurance Corporation or the Division of Banks concerning the safety and soundness of this financial institution.

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GENERAL INFORMATION

The Community Reinvestment Act ("CRA") requires the Massachusetts Division of Banks ("Division") and the Federal Deposit Insurance Corporation ("FDIC") to use their authority when examining financial institutions subject to their supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agencies must prepare a written evaluation of the institution's record of meeting the credit needs of its assessment area.

This document is an evaluation of the CRA performance of ***Beverly Bank (the "Bank")****, prepared by the Division and the FDIC, the institution's supervisory agencies as of* ***April 6, 2015****. The agencies evaluate performance in the assessment area(s), as they are defined by the institution, rather than individual branches. This assessment area evaluation may include visits to some, but not necessarily all of the institution's branches. The Division rates the CRA performance of an institution consistent with the provisions set forth in the Division's regulation 209 CMR 46.00. The FDIC rates the CRA performance of the institution consistent with the provisions set forth in Appendix A to 12 CFR Part 345 of the FDIC's Rules and Regulations.*

<u>INSTITUTION'S CRA RATING:</u> This institution is rated "Satisfactory."

An institution in this group has an adequate record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities. The assigned rating is based on the results of two performance tests: the Lending Test and the Community Development Test. The Bank's performance under each test is summarized below:

<u>Lending Test</u>

The institution is rated **"<u>Satisfactory</u>"** under the Lending Test. This rating is supported by the following summary of results.

- The net loan-to-deposit ("LTD") ratio is more than reasonable given the institution's size, financial condition, and assessment area credit needs. The Bank's average net LTD ratio over the 13 quarters since the prior CRA evaluation was 94.1 percent. As of December 31, 2014, the Bank's LTD ratio was 96.5 percent.

- The Bank originated a majority of its loans outside its assessment area, and needs to improve. The Bank originated a combined percentage of 49.1 percent of its home mortgage and small business loans inside the assessment area. It should be noted that the Bank originated a majority of its small business loans in its assessment area in 2013 and 2014.

- Overall, the geographic distribution of loans reflects excellent dispersion throughout the assessment area. The Bank's lending within low- and moderate-income census tracts is above aggregate performance and the percentage of owner-occupied housing units. The Bank also exceeded the percentage of businesses in low- and moderate-income tracts in 2013.

- The distribution of borrowers reflects, given the demographics of the assessment area, reasonable penetration among individuals of different income levels (including low- and moderate-income) and businesses of different revenue sizes. The Bank ranked 19th and 17th in regards to lending to low- and moderate-income individuals, respectively.

- Beverly Bank did not receive any CRA-related complaints during the evaluation period.

Community Development Test

The institution is rated "**Outstanding**" under the Community Development Test.

The institution's community development performance demonstrates excellent responsiveness to community development needs in its assessment area through community development loans, qualified donations, and community development services, as appropriate, considering the institution's capacity and the need and availability of such opportunities for community development in the institution's assessment area.

- The Bank originated 16 community development loans (CDLs); a significant increase since the last examination. The Bank outperformed similarly situated banks.

- The Bank's total qualified donations exceeded the level made at the last examination. The Bank exceeded the donation levels of its similarly situated banks.

- The Bank was actively involved in various community development organizations. Many of the activities targeted community development needs in the assessment area. The community contact noted Beverly Bank as a leader in the area.

SCOPE OF THE EXAMINATION

This evaluation assessed Beverly Bank's CRA performance utilizing Intermediate Small Bank ("ISB") examination procedures, as established by the Federal Financial Institutions Examination Council ("FFIEC"). These procedures require two performance tests: a Lending Test and a Community Development Test. The Lending Test analyzes an institution's applicable home mortgage, small business, and small farm loans during a certain review period. The Community Development Test is an analysis of qualified activities (loans, investments, and services) an institution performed to meet the needs of the community since the previous evaluation.

The Lending Test considered the Bank's home mortgage and small business lending. The Bank's most recent Report of Condition and Income ("Call Report"), dated December 31, 2014, indicated that residential lending, including all loans secured by 1-4 family and multi-family residential properties, represented 64.6 percent of the loan portfolio. Commercial lending, consisting of commercial real estate and commercial and industrial loans, represented 27.5 percent of the loan portfolio.

As a result of the low activity and portfolio representation for small farm lending (0.2 percent) and consumer loans (0.2 percent), these product lines were not reviewed at this evaluation. Data reviewed includes home mortgage loans reported on the Bank's Home Mortgage Disclosure Act ("HMDA") loan application registers ("LARs") from 2013 and 2014. The LARs contain data about home purchase and home improvement loans, including refinances of 1-4 family and multi-family properties. The Bank reported 229 loans totaling $75.7 million in 2013 and 133 loans totaling $59.1 million in 2014. The Bank's home mortgage lending performance was compared against 2013 aggregate lending data. Aggregate data includes the lending activity of all institutions subject to HMDA reporting within the Bank's assessment area. The evaluation focused on lending performance in 2013, as aggregate data for 2014 was not yet available.

Small business loans were also reviewed for the same time period. As an ISB, the Bank has the option of collecting and reporting small business lending data. The Bank opted to collect the data, but not to report it. The Bank's internal records indicated that the institution originated 87 small business loans totaling $14.4 million in 2013, and 56 small business loans totaling approximately $12.0 million in 2014. As the Bank did not report small business loan data, small business aggregate data was not used for formal comparison purposes. Instead, business demographics of the assessment area were used as a means of measuring the Bank's performance.

While the Lending Test discusses the total dollar amounts of loans, conclusions were primarily based on the number of loans originated or purchased, as extremely large or small dollar amounts could skew conclusions.

The Community Development Test considered the number and dollar amount of community development loans, qualified investments, and community development services between February 13, 2012 and April 6, 2015. Additionally, any qualified equity investments remaining on the Bank's books from prior evaluations also received consideration.

Demographic information from the 2010 United States (U.S.) Census was referenced in this evaluation. Financial data was generally obtained from the Bank's December 31, 2014 Call Report.

PERFORMANCE CONTEXT

Description of Institution

Beverly Bank is a Massachusetts-chartered mutually owned cooperative bank, headquartered at 254 Cabot Street in Beverly, Massachusetts. In December 2013, the Bank changed its name from Beverly Cooperative Bank to Beverly Bank.

In addition to its main office which is located in a moderate-income tract, the Bank operates three branch offices; two are located in middle-income census tracts in Beverly and one is located in a low-income tract in Salem, Massachusetts. Bank hours are convenient at all full service branch offices. Extended hours are available on Thursday and Friday evenings, as well as Saturday morning. All office locations are equipped with ATMs and the Enon Street and Salem Street branches in Beverly offer drive-up services.

Beverly Bank offers a variety of residential, commercial, and consumer loan products. Consumer and residential loan products include adjustable-rate and fixed-rate mortgages, construction loans, home equity lines and loans, automobile loans, and personal loans. Business loan products include Small Business Administration (SBA) loans, business lines of credit and term loans, commercial real estate mortgages, and business cash reserve loans.

The Bank also offers numerous types of deposit products for consumer and business customers. These include checking, savings, Individual Retirement Accounts (IRAs), and certificate of deposit accounts. Other products and services include credit and debit cards, mobile banking, and online banking with bill pay.

As of December 31, 2014, the Bank's total assets were approximately $347.9 million. Net loans (total loans less the allowance for loan and lease losses) totaled $292.7 million, representing 84.1 percent of total assets. Assets increased approximately 16.9 percent while net loans increased by 31.7 percent since the previous evaluation. Management attributed the increase to the Bank's concerted effort to grow its commercial lending portfolio.

Table 1 illustrates the distribution of the Bank's loan portfolio as of December 31, 2014.

Table 1 – Loan Portfolio Distribution as of December 31, 2014		
Loan Type	**Dollar Amount $(000s)**	**Percent of Total Loans**
Revolving, Open-end Loans Secured by 1-4 Family Residential Properties and Extended Under Lines of Credit	13,993	4.7
Closed-end Loans Secured by 1-4 Family Residential Properties: Secured by First Liens	129,950	43.6
Closed-end Loans Secured by 1-4 Family Residential Properties: Secured by Junior Liens	3,683	1.2
Secured by Multi-Family (5 or more) Residential Properties	45,006	15.1
Total Residential Real Estate Loans	**192,632**	**64.6**
Construction, Land Development, and Other Land Loans	22,383	7.5
Secured by Farmland (Including Farm Residential and Other Improvements)	711	0.2
Secured by Nonfarm Nonresidential Properties	62,839	21.1
Total Real Estate Loans	**278,565**	**93.4**
Commercial and Industrial	19,122	6.4
Loan to Individuals for Household, Family, or Other Personal Expenditures (Consumer Loans)	578	0.2
Obligations of states and political subdivisions in the U.S.	0	0.0
Loans to non-depository financial institutions and other loans	0	0.0
Total Loans	**298,265**	**100.0**

Source: December 31, 2014 Call Report

As depicted in Table 1, the Bank's portfolio is concentrated in residential real estate loans, at 64.6 percent. Commercial loans and loans secured by nonfarm nonresidential properties make up 27.5 percent of the loan portfolio.

There are no apparent financial or legal impediments that limit the Bank's ability to help meet the credit needs of its assessment area. The Bank's CRA performance was deemed "Satisfactory" at the previous evaluation on February 13, 2012, which was conducted jointly by the FDIC and the Massachusetts Division of Banks.

Description of Assessment Area

The CRA requires financial institutions to define an assessment area; or areas which they will concentrate their lending efforts and within which its record of helping to meet the credit needs of its community will be evaluated. The assessment area meets the technical requirements of the CRA since it: (1) consists of one or more political subdivisions; (2) includes geographies where the Bank has its main office, branches and deposit-taking ATMs, as well as the surrounding geographies in which the Bank originated a substantial portion of its loans; (3) consists of whole census tracts; (4) does not reflect illegal discrimination; and (5) does not arbitrarily exclude low- and moderate-income areas. The assessment area as currently defined meets the technical requirements of the CRA.

The Bank's assessment area is comprised of 16 census tracts located in Essex County. The assessment area includes the cities of Beverly and Salem. Both cities are located within the Cambridge-Newton-Framingham MSA/MD #15764. The Bank has not made any changes to the assessment area since the previous evaluation.

In 2014, the Peabody MD #37764 became part of the Cambridge-Newton-Framingham MSA/MD #15764, and the income designation of many census tracts in Essex County changed. As a result, several demographic characteristics of the assessment area changed between 2013 and 2014. Table 2 highlights the relevant demographic characteristics of the Bank's assessment area by year.

Table 2
Assessment Area Demographic Information

Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA % of #
Geographies by Income (2013)	16	6.2	25.0	50.0	18.8	0.0
Geographies by Income (2014)	16	6.2	43.8	43.8	6.2	0.0
Population by Geography (2013)	80,842	4.8	23.8	48.8	22.6	0.0
Population by Geography (2014)	80,842	4.8	42.3	42.1	10.8	0.0
Owner-Occupied Housing by Geography (2013)	18,877	2.3	19.1	52.3	26.3	0.0
Owner-Occupied Housing by Geography (2014)	18,877	2.3	38.5	48.8	10.4	0.0
Businesses by Geography (2013)	7,582	8.8	32.7	41.8	16.7	0.0
Businesses by Geography (2014)	6,831	8.7	43.6	40.1	7.6	0.0
Distribution of Families by Income Level (2013)	19,034	23.1	18.3	20.5	38.1	0.0
Distribution of Families by Income Level (2014)	19,034	26.0	20.9	20.5	32.6	0.0
Median Family Income (MFI) **MSA #37764 FFIEC Updated MFI, 2013** **MSA #15764 FFIEC Updated MFI, 2014** **Families Below Poverty Level**	$78,554 $83,500 $93,300 7.5%	**Median Housing Value** **Unemployment Rate** **(2010 U.S. Census)**			$380,783 6.9%	

Source: 2010 U.S. Census, 2013 and 2014 D&B Data, 2013 and 2014 Estimated MFIs

Geographies

The analysis for the Geographic Distribution section of the Lending Test is based on the distribution of loans by income level of census tract, especially in those designated low- and moderate-income. Each census tract is assigned an income level based on the median family income (MFI) of the tract as compared to the MFI established for the Metropolitan Statistical Area (MSA) or MD in which the tract is located. The four income levels are defined as follows:

- Low-Income: Less than 50 percent of MFI
- Moderate-Income: At least 50 percent, but less than 80 percent of MFI
- Middle-Income: At Least 80 percent, but less than 120 percent of MFI
- Upper-Income: 120 percent or greater of MFI

In 2013, the Bank's assessment area consisted of 1 low-income census tract, 4 moderate-income tracts, 8 middle-income tracts and 3 upper-income tracts. In 2014, the Bank's assessment area consisted of 1 low-income census tract, 7 moderate-income tracts, 7 middle-income tracts, and 1 upper-income tract. The low-income census tract is located in the City of Salem.

Median Family Income Levels

According to the 2010 U.S. Census data, the assessment area contains 33,003 households, of which 19,034 are considered families. In 2013, the MFI for the assessment area was $83,500, and in 2014 the MFI was $93,300. In 2013, 23.1 percent of families were designated low-income and 18.3 percent were designated moderate-income. In 2014, 26.0 percent of families were low-income and 20.9 percent were moderate-income. Furthermore, 7.5 percent of the families within the overall assessment area are below poverty level. This percentage increases to 9.3 percent in the low-income census tract within the assessment area. The percentage of families living below the poverty level, may adversely affect the Bank's ability to lend.

Housing Characteristics

There are 35,616 total housing units within the assessment area, of which 18,877, or 53.0 percent, are owner-occupied, 14,126, or 39.7 percent, are occupied rental units, and 2,613, or 7.3 percent, are vacant. Of the owner-occupied units, 2.3 percent were located in the low-income census tract and 19.1 percent were located in moderate-income tracts in 2013. In 2014, 2.3 percent were located in the low-income tract, while 38.5 were located in moderate-income tracts. The jump in owner-occupied levels within the moderate income areas can be attributed to the re-designation of census tracts from 2013 to 2014. The limited number of owner-occupied housing units in the assessment area's low-income tract may limit the Bank's ability to make home mortgages in these areas during the review period.

As displayed in Table 1, the assessment area median housing value is $380,783. Additional information as obtained from The Warren Group shows that the average median sales price for Essex County was $305,000 in 2013 and $323,000 in 2014.

Competition

The Bank competes with several other local banks as well as larger regional and national banks, credit unions, and mortgage companies. In 2013, there were 245 lenders that originated at least one mortgage loan in the assessment area. Beverly Bank ranked 11th with a market share of 2.7 percent within the assessment area. The top five lenders included JP Morgan Chase Bank, NA; Wells Fargo Bank, NA; Salem Five Mortgage Company; Bank of America, N.A.; and US Bank, N.A. Collectively, these top lenders accounted for 30.4 percent of the area's total market share.

Unemployment Data

According to the 2010 U.S. Census, the assessment area's unemployment rate was 6.9 percent. More recent data from the U.S. Bureau of Labor Statistics shows that the unemployment rate for Essex County was 5.1 percent as of December 2014. The unemployment rate for Massachusetts was 4.9 percent as of December 2014.

Business Demographic Data

The Dun & Bradstreet business demographic data indicates that the number of non-farm businesses in the assessment area decreased from 2013 to 2014, with a drop of 7,582 to 6,831. The distribution of the businesses located in low- and moderate-income census tracts remained relatively steady. In 2013, 8.8 percent of small businesses were located in the assessment area's only low-income tract. This percentage changed slightly to 8.7 percent in 2014. The percentage of businesses in moderate-income census tracts increased from 32.7 in 2013 to 43.6 percent in 2014, which may be attributed to the income designation changes from 2013 to 2014.

The 2013 data showed that 72.9 percent of businesses had gross annual revenues (GARs) of $1 million or less. This changed slightly in 2014 to 71.8 percent. The highest percentages of businesses for both years (approximately 47.6 percent) were engaged in service related industries followed by retail and finance related industries. Approximately 78.1 percent of businesses have fewer than 20 employees.

Community Contact

As part of the evaluation process, third parties active in the assessment area are contacted to assist in assessing the credit and community development needs of the community. The information obtained helps to determine whether local financial institutions are responsive to the credit and community development needs of the communities, and what credit and community development opportunities, if any, are available.

A community contact was conducted with a local community development corporation that provides services for affordable housing, job training, and community economic development. The contact indicated a need for increased access to affordable housing for families under the poverty level. This need is especially prevalent in the City of Salem as zoning issues have limited the number of affordable housing units available for low-income individuals. The contact would like to see local financial institutions increase their lending for the creation of such affordable housing units. Overall, the contact was pleased with the responsiveness of the local community banks to the area's credit needs. The contact specifically mentioned Beverly Bank as a leader in community development activities. The contact noted the Bank's willingness to meet the credit needs of local businesses and to offer guidance to start-up businesses. The contact specifically credited Beverly Bank in the revitalization of Cabot Street.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

LENDING TEST

The Lending Test considers the Bank's performance pursuant to the following criteria: Loan-to-Deposit ("LTD") Ratio; Assessment Area Concentration; Geographic Distribution of Loans; Borrower Profile; and Response to CRA Complaints. Overall, the Bank's performance under the Lending Test is considered "Satisfactory." This rating indicates that Beverly Bank's lending performance demonstrates a reasonable responsiveness to the credit needs of the assessment area.

Loan-to-Deposit (LTD) Ratio

The LTD ratio criterion evaluated the percentage of the Bank's deposit base that is reinvested in the form of loans. The LTD ratio is more than reasonable given the institution's size, financial condition, and assessment area credit needs.

The Bank's average LTD ratio, calculated using Call Report data over the prior 13 calendar quarters from December 31, 2011 to December 31, 2014, was 94.1 percent. The LTD ratio ranged from a low of 88.7 percent at December 31, 2012 to a high of 98.5 percent at September 30, 2013. Additionally, the LTD ratio as of December 31, 2014 was 96.5 percent.

The Bank sells a portion of its residential loans to the secondary market, which further supports the Bank's performance. The Bank sold 79 loans totaling $20.0 million in 2013 and 30 loans totaling $7.7 million in 2014.

The Bank's average net LTD ratio was compared to the average net LTD ratios of two similarly situated institutions, as determined by geographic location, asset size, and loan portfolio composition. As shown in Table 3, the Bank had a similar average net LTD ratio compared to one of its peer institutions and was higher than the other peer institution.

Table 3 – Loan-to-Deposit Comparison

Bank Name	Total Assets $(000) as of 12/31/2014	Average Net LTD Ratio 12/31/2011 -12/31/2014
Beverly Bank	**$347,926**	**94.1**
Haverhill Bank	$334,314	89.1
Northmark Bank	$329,185	95.1

Source: 12/31/2011 through 12/31/2014 Call Reports

Assessment Area Concentration

This performance criterion evaluates whether the Bank is meeting the credit needs within its assessment area.

The Bank originated 49.1 percent of its home mortgage and small business loans inside the assessment area over the evaluation period (majority outside). Table 4 illustrates the Bank's record of extending home mortgage and small business loans inside and outside of the assessment area; by number and dollar amount over the period reviewed.

Table 4- Distribution of Loans Inside and Outside of the Assessment Area										
Loan Category or Type	**Number of Loans**				**Total**	**Dollars in Loans $(000s)**				**Total**
	Inside		**Outside**			**Inside**		**Outside**		
	#	**%**	**#**	**%**		**$**	**%**	**$**	**%**	
Home Mortgage										
2013	112	48.9	117	51.1	229	30,368	40.1	45,321	59.9	75,689
2014	50	37.6	83	62.4	133	15,101	25.6	43,960	74.4	59,061
Subtotal	**162**	**44.8**	**200**	**55.2**	**362**	**45,469**	**33.7**	**89,281**	**66.3**	**134,750**
Small Business										
2013	49	56.3	38	43.7	87	7,479	51.8	6,943	48.2	14,422
2014	37	66.1	19	33.9	56	6,524	54.5	5,443	45.5	11,967
Subtotal	**86**	**60.1**	**57**	**39.9**	**143**	**14,003**	**53.0**	**12,386**	**47.0**	**26,389**
Total	**248**	**49.1**	**257**	**50.9**	**505**	**59,472**	**36.9**	**101,667**	**63.1**	**161,139**
Source: 2013 and 2014 HMDA and CRA Reported Data										

In 2013, the Bank originated slightly less than half of its home mortgage loans inside the assessment area. In 2014, the Bank's lending decreased to 37.6 percent of home mortgage loans originated inside the assessment area. The number of the Bank's home mortgage originations was halved from 2013 to 2014. Management attributed the decrease in loan volume to increased competition for loans with other financial institutions in the area. Market share reports from 2013 indicate that Beverly Bank ranked 11th out of 245 lenders that originated or purchased a loan in the assessment area.

For 2013, the Bank originated a majority of its small business loans inside the assessment area, and this concentration increased to 66.1 percent in 2014. As the Bank's strategic plan is to increase commercial lending, this percentage demonstrates the Bank's desire to meet the small business needs of its assessment area.

The distribution of loans by number bears more weight on the Bank's rating than the distribution by dollar amount, as the number of loans correlates more closely to the number of individuals or businesses that were able to obtains loans.

Geographic Distribution

The focus of this analysis is to assess the Bank's home mortgage and small business loan distribution in its assessment area, with emphasis placed on lending in low- and moderate-income census tracts.

Overall, the geographic distribution of home mortgage and small business lending reflects excellent dispersion throughout the Bank's assessment area, particularly in low- and moderate-income census tracts, during the evaluation period.

Home Mortgage Lending

The geographic distribution of home mortgage lending reflects excellent dispersion throughout the Bank's assessment area, particularly in low- and moderate-income census tracts, during the evaluation period. Table 5 illustrates loan originations, categorized by census tract income level, that were reported by Beverly Bank during 2013 and 2014, and compares this activity to the 2013 aggregate lenders and percentage of owner-occupied housing units within the assessment area.

Table 5 – Distribution of Home Mortgage Loans by Income Category of the Geography

Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%
Low				
2013	2.3	3.0	4	3.6
2014	2.3	NA	0	0.0
Moderate				
2013	19.1	22.7	30	26.8
2014	38.5	NA	21	42.0
Middle				
2013	52.3	48.4	40	35.7
2014	48.8	NA	27	54.0
Upper				
2013	26.3	25.9	38	33.9
2014	10.4	NA	2	4.0
Total				
2013	**100.0**	**100.0**	**112**	**100.0**
2014	**100.0**	**NA**	**50**	**100.0**

Source: 2010 U.S. Census; 2013 and 2014 HMDA Reported Data; 2013 HMDA Aggregate Data, NA is aggregate information which was not available as of the evaluation date

In 2013, the Bank's lending to the low-income tract is above both the percentage of owner-occupied housing units and the aggregate percentage. Market share reports from 2013 further illustrate the Bank's strong performance in the low-income tract as Beverly Bank ranked 5^{th} out of 57 lenders in originations in the low-income tract. Beverly Bank was the highest ranked local bank. In 2014, the Bank did not originate any loans in the low-income census tract; however, as discussed previously the high percentage of families below poverty level, specifically within this tract, and the low percentage of owner-occupied units hampers the Bank's ability to lend in this area. Additionally, the Bank also faces significant competition in the origination of residential loans.

The Bank's lending in moderate-income tracts in 2013 was higher than both the percentage of owner-occupied units and the aggregate. For the same year, Beverly Bank ranked 7th out of 132 lenders in lending to moderate-income census tracts. Once again, Beverly Bank was the highest ranked local bank. The Bank increased the percentage of its lending to moderate-income tracts from 26.8 percent in 2013 to 42.0 percent in 2014. However, it is important to note that the percentage of owner-occupied units in moderate-income tracts also increased substantially from 2013 to 2014 due to the change of the demographics.

Small Business Lending

Table 6 compares the distribution of small business loans by census tract income level to the distribution of businesses by census tract income level. Considering the demographics and other performance context factors, the Bank demonstrated an excellent dispersion of small business loans throughout the assessment area.

Table 6 – Distribution of Small Business Loans by Income Category of the Geography			
Tract Income Level	**% of Businesses**	**#**	**%**
Low			
2013	8.8	6	12.2
2014	8.7	5	13.5
Moderate			
2013	32.7	22	44.9
2014	43.6	15	40.5
Middle			
2013	41.8	15	30.7
2014	40.1	16	43.2
Upper			
2013	16.7	6	12.2
2014	7.6	1	2.8
NA			
2013	0.0	0	0.0
2014	0.0	0	0.0
Total			
2013	**100.0**	**49**	**100.0**
2014	**100.0**	**37**	**100.0**
Source: 2013-2014 D&B Data; Bank Records			

In 2013, the Bank's small business lending was higher than the percentage of businesses in both low- and moderate-income census tracts. The Bank's lending activity in 2014 was similar to its lending activity in 2013.

Borrower Profile

The distribution of loans by borrower income level and small business revenue category was reviewed to determine the extent to which the Bank addressed the credit needs of individuals and small business customers within the assessment area. The distribution of borrowers reflects, given the demographics of the assessment area, reasonable penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes.

Home Mortgage Lending

The distribution of home mortgage loans by borrower income level reflects reasonable penetration of loans to borrowers of different income levels, particularly those of low- and moderate-income. The Bank's lending performance was evaluated relative to aggregate lending data and assessment area income demographics as shown in Table 7.

Table 7 – Distribution of Home Mortgage Loans by Income Category of the Borrower				
Borrower Income Level	**% of Families**	**Aggregate Performance % of #**	**#**	**%**
Low				
2013	23.1	4.6	3	2.7
2014	26.0	NA	1	2.0
Moderate				
2013	18.3	18.8	12	10.7
2014	20.9	NA	13	26.0
Middle				
2013	20.5	28.2	25	22.3
2014	20.5	NA	12	24.0
Upper				
2013	38.1	44.3	59	52.7
2014	32.6	NA	15	30.0
Income NR				
2013	0.0	4.1	13	11.6
2014	0.0	NA	9	18.0
Total				
2013	**100.0**	**100.0**	**112**	**100.0**
2014	**100.0**	**NA**	**50**	**100.0**
Source: 2010 U.S. Census; 2013 and 2014 HMDA Reported Data; 2013 HMDA Aggregate Data, NA is aggregate information which was not available as of the evaluation date, NR is income not reported				

In 2013, the Bank's performance was below both the aggregate and the percentage of families. However, not all families within the demographic may qualify for a home mortgage loan as approximately 7.5 percent of families are below the poverty line. Market share reports from 2013 show the Bank ranked 19th out 60 lenders in originations to low-income borrowers and 17th out of 119 lenders in originations to moderate-income borrowers.

In 2014, the Bank's lending to low-income borrowers remained similar to its lending in 2013 while lending to moderate-income borrowers more than doubled by percentage.

Small Business Lending
The distribution of small business loans reflects reasonable penetration among businesses of different sizes, particularly those with GARs of $1 million or less. The distribution of both the number and dollar volume of loans originated to businesses by GAR is presented in Table 8.

Table 8 – Distribution of Small Business Loans by Gross Annual Revenue Category			
Business Revenue Level	**% of Businesses**	**#**	**%**
≤$1,000,000			
2013	72.9	26	53.1
2014	71.8	19	51.4
>1,000,000 or NR			
2013	27.1	23	46.9
2014	28.2	18	48.6
Total			
2013	**100.0**	**49**	**100.0**
2014	**100.0**	**37**	**100.0**
Source: Bank records, 2014 and 2015 D&B Data; NR is revenue not reported			

The Bank's lending distribution is below the area's business demographics for both years.

Response to CRA Complaints

The Bank did not receive any CRA-related complaints during the evaluation period.

COMMUNITY DEVELOPMENT TEST

Beverly Bank's community development performance demonstrates excellent responsiveness to the community development needs of its assessment area through community development loans, qualified donations, and community development services, considering the institution's capacity and the need and availability of such opportunities in the institution's assessment area.

Opportunities to extend community development loans, donations, and services were determined through an analysis of demographic information. Additionally, discussions with a community contact identified area needs including small business financing in the downtown area and additional investment in affordable housing. The following information summarizes the Bank's community development loan, donations, and service activities.

Qualified Community Development Loans

For the purpose of this evaluation, a community development loan is defined as a loan that: (1) has community development as its primary purpose, (2) has not already been reported by the bank for consideration under small business or home mortgage lending (unless it is a multifamily dwelling loan), and (3) benefits the bank's assessment area or a broader statewide or regional area that includes the bank's assessment area.

The Bank originated 16 community development loans, totaling approximately $4.1 million over the evaluation period. This is a significant increase from the previous evaluation when the Bank did not originate any community development loans. The current level of CDLs exceeded the level of loans made by similarly situated banks. Table 9 illustrates the Bank's community development lending.

Table 9 – Community Development Loans

February 13, 2012 to April 6, 2015

Activity Year	Qualifying Category										Total	
	Affordable Housing		Community Services*		Economic Development		Revitalization/ Stabilization**		Neighborhood Stabilization			
	#	$(000)	#	$(000)	#	$(000)	#	$(000)	#	$(000)	#	$(000)
2/13/12-12/31/12	2	703	7	1,681	0	0	0	0	0	0	9	2,384
2013	0	0	2	515	0	0	0	0	0	0	2	515
2014	1	210	2	100	1	400	0	0	0	0	4	710
1/1/15-4/6/15	0	0	0	0	1	518	0	0	0	0	1	518
Total	3	913	11	2,296	2	918	0	0	0	0	16	4,127

Source: Bank Records

* *Targeted to low- or moderate-income individual*

** *Of low- or moderate-income, disaster, distressed or underserved geographies*

The following represents a sample of the Bank's community development loans:

- In 2012, the Bank originated a loan for $181,000 to a Community Development Corporation (CDC) that provides affordable housing to low- and moderate-income individuals on the North Shore, including the assessment area.

- In 2012, the Bank originated a mortgage loan for $380,000 to an organization that provides affordable housing, mental health counseling, and job placement services to homeless veterans. The purpose of the loan was to purchase a multi-family dwelling that will be converted into affordable housing for low- and moderate-income individuals.

- In 2014, the Bank originated a working capital line of credit for $50,000 to a charter school that primarily serves low- and moderate-income students and is located in a low-income census tract. Over the evaluation period, the Bank made eight loans to this organization. The charter school is located in the Bank's assessment area.

Qualified Community Development Investments

A qualified investment for the purposes of this evaluation is a lawful investment, deposit, membership share, or grant that has community development as its primary purpose. The evaluation considered (1) investment and grant activity, (2) the responsiveness to credit and community development needs, and (3) community development initiatives. The following describes the institution's qualified investments during this evaluation.

Qualified Equity Investments
The Bank did not make any qualified equity investments during the evaluation period. There were also no investments at the last examination. The Bank has limited their investments, in general, as part of their overall business plan.

Qualified Donations
The Bank made donations and grants to organizations providing education, youth programs, affordable housing, and health and human services. Since the last examination, the Bank donated $427,603 to various organizations. Of those donations, $199,138, or 46.6 percent, qualified as community development donations; this is double the amount of qualified donations made at the previous evaluation. The Bank's donation total also exceeded the donation totals of similarly situated banks. Table 10 breaks down the Bank's qualified donations by year and purpose.

Table 10 – Community Development Donations

Activity Year	Qualifying Category						Totals	
	Affordable Housing for LMI		Community Services Targeted to LMI		Activities that Promote Economic Development			
	#	$	#	$	#	$	#	$
2012	4	22,200	10	21,500	4	2,350	18	46,050
2013	4	11,107	16	26,165	6	27,299	26	64,571
2014	4	8,500	17	25,150	9	33,867	30	67,517
2015 (YTD)	0	0	6	9,500	2	11,500	8	21,000
Total	**12**	**41,807**	**49**	**82,315**	**21**	**75,016**	**82**	**199,138**

Source: Bank Records by year. (YTD – February 2015)

The following are examples of qualifying organizations:

Harborlight Community Partners*:* This organization is a non-profit, Massachusetts CDC with the capacity and sustainability to provide affordable housing across southern Essex County, including the assessment area.

Lifebridge, Inc.: Lifebridge serves Salem and its surrounding communities. The organization is dedicated to reducing the crisis of homelessness by providing housing with supportive services, encouraging personal and financial development, and also promoting stability in physical and mental health. These services are primarily targeted to low- and moderate-income individuals.

North Shore Community Action Program (NSCAP*):* NSCAP services assisted over 12,000 people from the North Shore through a range of innovative social services that fall under the following five program areas: economic stabilization, education and training, housing and homelessness prevention, energy services, and home care for elders. All the recipients are low-income individuals and families.

Qualified Community Development Services

A community development service has community development as its primary purpose and is related to the provision of financial services or technical services and assistance.

Bank Employee and Director Involvement

Bank officers, employees, and Board members are involved in local community development and non-profit organizations in various capacities. Bank personnel provide these organizations with financial and management expertise while serving as directors, officers, loan committee members, and volunteers. As mentioned previously, the community contact considers Beverly Bank a leader in its assessment area, and specifically mentioned the Bank's involvement in the Cabot Street revitalization.

The following information summarizes the Bank's community development involvement.

North Shore United Way- This organization is an independent, non-profit corporation dedicated to improving lives and building stronger communities. The organization serves as a front-line response to meet basic needs of food, clothing, and shelter for low- and moderate-income individuals and families in crisis. The Bank's President served on the Board of Directors from 2012 to 2015. An Assistant Vice President served as a member of the Allocations Committee, which is responsible for the allocation of funds.

Family Promise, North Shore Boston- This organization is a non-profit interfaith network that provides temporary shelter, meals, and case management for families experiencing homelessness on the North Shore of Massachusetts. The Bank's President served on the Board of Directors of this organization during the evaluation.

North Shore Community Development Coalition (NSCDC) – This regional organization makes it a priority to advocate resources at the local and state levels to improve the quality of life in the neighborhoods of the North Shore, including Beverly and Salem. NSCDC's top priorities focus on affordable housing, community development, and economic growth. The organization's activities primarily benefit low- and moderate-income individuals and families. The Bank's Senior Vice President (SVP) and CRA Officer was a member of the Board of Directors of this organization during the evaluation.

City of Beverly Economic and Community Development Council- The mission of this organization is to provide support for small businesses throughout Beverly through counseling and various forms of financing. The Bank's former President and several Board members serve as Directors of this organization.

Salem Partnership- This organization's goal is to revitalize economic development in Salem. The following areas are considered integral components to meeting the goal of the partnership: downtown revitalization cultural and educational development, housing and neighborhood development, and growth management. A member of the Bank's Board of Directors serves on the Executive Committee and is Treasurer of the Salem Partnership.

Beverly Main Streets- The mission of this organization is promote and enhance downtown Beverly's economic vitality. The Bank's past President and current Board member is the Treasurer and Board member of this organization. Furthermore, another Bank Board member serves on the Board. The organization is working to revitalize this moderate-income area.

River House- This organization's mission is to help homeless individuals return to lives of self-sufficiency. During the evaluation period, the Bank's Vice President and Commercial Loan Officer served as the Treasurer of the River House.

Citizens for Adequate Housing (CAH) – CAH is a leader in the fight to end homelessness throughout the North Shore, including Beverly and Salem. During the evaluation period, the Bank's SVP and CRA Officer served as a Director of this organization.

Other Community Services

In addition to the involvement from Bank officers, employees and Board members, the Bank also participated in the following community development activities.

- A Community Needs Assessment (CNA) is a market study conducted to help a bank identify and understand the need for financial services and community development within its assessment area. During the evaluation period, the Bank completed two separate CNAs. The first identified the need for small business micro lending; the second identified the need for financial education, specifically tailored to the areas under-banked immigrant population. In conjunction with local CDCs and educational institutions, the Bank developed and offered a small business entrepreneurship micro-lending program. Furthermore, the Bank developed a financial literacy program specifically tailored to the local Spanish speaking immigrant population, many of which were low- or moderate-income. As a second phase to the financial literacy program, the Bank is currently developing a credit-building program.

- During 2013, Beverly Bank sponsored a First-Time Home Buyer Program. During the seminar, Bank staff provided guidance and training on the application process. This seminar was geared to attract low- and moderate-income individuals.

- The Bank's deposit products meet the Basic Banking in Massachusetts guidelines set forth by the Massachusetts Community and Banking Council's (MCBC). This statewide program is designed to offer low-cost checking and savings accounts to low- and moderate-income individuals.

APPENDIX A

Massachusetts Division of Banks Fair Lending Policies and Procedures Review

The Division of Banks provides comments regarding the institution's fair lending policies and procedures pursuant to Regulatory Bulletin 1.3-106.

Based on a review of the Bank's public comment file and its performance relative to fair lending policies and practices, no violations of the anti-discrimination laws and regulations were identified. The Bank's loan policy prohibits discrimination in compliance with the Equal Credit Opportunity Act (ECOA) and the Fair Housing Act (FHA). Also included in the Bank's loan policy are procedures for the second review process of denied loan applications.

Minority Application Flow

The Bank's residential lending was compared with the 2013 aggregate's lending performance to assist in deriving reasonable expectations for the rate of applications the Bank received from minority residential loan applicant. Refer to Table 11 for information on the Bank's minority application flow as well as a comparison of the aggregate lenders throughout the Bank's assessment area.

Table 11 – Minority Application Flow

RACE	**Bank 2013**		**2013 Aggregate Data**	**Bank 2014**	
	#	%	%	#	%
American Indian/ Alaska Native	0	0.0	0.1	0	0.0
Asian	1	0.7	1.3	0	0.0
Black/ African American	0	0.0	0.6	0	0.0
Hawaiian/Pac Isl.	0	0.0	0.1	0	0.0
2 or more Minority	0	0.0	0.0	0	0.0
Joint Race (White/Minority)	3	2.0	0.8	0	0.0
Total Minority	**4**	**2.7**	**2.9**	**0**	**0.0**
White	113	76.4	74.6	53	79.1
Race Not Available	31	20.9	22.5	14	20.9
Total	**148**	**100.0**	**100.0**	**67**	**100.0**
ETHNICITY					
Hispanic or Latino	0	0.0	1.6	2	3.0
Not Hispanic or Latino	113	76.4	75.0	48	71.6
Joint (Hisp/Lat /Not Hisp/Lat)	1	0.7	0.5	1	1.5
Ethnicity Not Available	34	22.9	22.9	16	23.9
Total	**148**	**100.0**	**100.0**	**67**	**100.0**

In 2013 and 2014 the Bank's assessment area contained 80,842 individuals, of which 16.5 percent are minorities. The assessment area's minority and ethnic population consists of 2.5 percent Black/African-American, 2.2 percent Asian/Pacific Islander, 0.1 percent American Indian, 9.7 percent Hispanic or Latino and 1.9 percent other race.

In total for 2013 and 2014 the Bank received 215 HMDA reportable loan applications within its assessment area. Of these applications 4, or 1.9 percent, were received from minority applicants. The Bank also received 4 applications, or 1.9 percent, from ethnic applicants of Hispanic origin within its assessment area.

In 2013, the Bank received 4 applications, or 2.7 percent, from minorities, which is just below the aggregate of 2.9 percent. Of these 4 applications, 3 or 75.0 percent resulted in originations as compared to 76.7 percent of the aggregate. The Bank received 1 application, or 0.7 percent, from joint applicants in which one applicant was Hispanic or Latino. This application resulted in an origination as compared to 80.0 percent of applications resulting in originations for the aggregate.

In 2014, the Bank did not receive any applications from minorities. The Bank received 3 applications, or 4.5 percent, from Hispanic or Latino applicants.

The Bank's minority application flow is adequate as a result of the demographic makeup of the assessment area.

APPENDIX B

GLOSSARY

Aggregate lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide non-metropolitan median family income, if a person or geography is located outside an MSA.

Assessment Area: A geographic area delineated by the bank under the requirements of the Community Reinvestment Act.

Census Tract: A small, relatively permanent statistical subdivision of a county. Census tract boundaries normally follow visible features, but they may follow governmental unit boundaries and other non-visible features in some instances. They always nest within counties. Census tracts average about 4,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogenous for population characteristics, economic status, and living conditions to allow for statistical comparisons.

Combined Statistical Area (CSA): A combination of several adjacent metropolitan statistical areas or micropolitan statistical areas or a mix of the two, which are linked by economic ties.

Community Development: For loans, investments, and services to qualify as community development activities, their primary purpose must
(1) Support affordable housing for low- and moderate-income individuals;
(2) Target community services toward low- and moderate-income individuals;
(3) Promote economic development by financing small businesses or farms; or
(4) Provide activities that revitalize or stabilize low- and moderate-income geographies, designated disaster areas, or distressed or underserved non-metropolitan middle-income geographies; or
(5) Enable or facilitate projects or activities that address needs regarding foreclosed or abandoned residential properties in designated target areas.

Community Development Corporation (CDC): A CDC allows banks and holding companies to make equity type of investments in community development projects. Bank CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community. Bank CDCs are also tailored to their financial and marketing needs. A CDC may purchase, own, rehabilitate, construct, manage and sell real property. Also, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk on the banking organization.

Community Development Financial Institutions (CDFIs): CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. A CDFI facilitates the flow of lending and investment capital into distressed communities and to individuals who have been unable to take advantage of the services offered by traditional financial institutions. Some basic types of CDFIs include community development banks, community development loan funds, community development credit unions, micro enterprise funds, and community development venture capital funds.

A certified CDFI must meet eligibility requirements. These requirements include:

- Having a primary mission of promoting community development;
- Serving an investment area or target population;
- Providing development services;
- Maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means;
- Not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

Community Development Loan: A loan that
(1) has as its primary purpose community development; and
(2) except in the case of a wholesale or limited purpose bank:
    (i) has not been reported or collected by the bank or an affiliate for consideration in the bank's assessment area as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling loan (as described in Appendix A to Part 203 of this title); and
    (ii) benefits the bank's assessment area(s) or a broader statewide or regional area including the bank's assessment area(s).

Community Development Service: A service that
(1) has as its primary purpose community development;
(2) is related to the provision of <u>financial</u> services; and
(3) has not been considered in the evaluation of the bank's retail banking services under § 345.24(d).

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Core Based Statistical Areas (CBSAs): The county or counties or equivalent entities associated with at least one core (urbanized area or urban cluster) of at least 10,000 population, plus adjacent counties having a high degree of social and economic integration with the core as measured through commuting ties with the counties associated with the core. Metropolitan and Micropolitan Statistical Areas are the two categories of CBSAs.

Distressed Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as distressed if it is in a county that meets one or more of the following triggers:
(1) an unemployment rate of at least 1.5 times the national average;
(2) a poverty rate of 20 percent or more; or,
(3) a population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of 5 percent or more over the 5-year period preceding the most recent census.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family. Other family is further classified into "male householder" (a family with a male householder and no wife present) or "female householder" (a family with a female householder and no husband present).

Family Income: Includes the income of all members of a family that are age 15 and older.

FFIEC-Adjusted Income Data: The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the metropolitan and non-metropolitan areas. The FFIEC uses American Community Survey data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

Full-Scope Review: Performance under the applicable tests is analyzed considering performance context, quantitative factors (geographic loan distribution, borrower profile loan distribution, and total number and dollar amount of investments), and qualitative factors (innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applications, the amount of loan requested, and the disposition of the income of applications, the amount of loan requested, and the disposition of the application (approved, denied, and withdrawn).

Home Mortgage Disclosure Loan Application Register (HMDA LAR): The HMDA LARs record all applications received for residential purchase, refinance, home improvement, and temporary-to-permanent construction loans.

Home Mortgage Loans: Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multi-family (five or more families) dwelling loans, loans for the purchase of manufactured homes and refinancings of home improvement and home purchase loans.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Household Income: Includes the income of the householder and all other persons that are age 15 and older in the household, whether related to the householder or not. Because many households are only one person, median household income is usually less than median family income.

Housing Unit: Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

Limited-Scope Review: Performance under the applicable tests is analyzed using only quantitative factors (geographic loan distribution, borrower profile loan distribution, total number and dollar amount of investments, and branch distribution).

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

Low Income Housing Tax Credit: The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended. It is administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department distributes low-income housing tax credits to housing credit agencies through the Internal Revenue Service. The housing agencies allocate tax credits on a competitive basis.

Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits. Or, they may sell them to corporations or investor groups, who, as owners of these properties, will be able to reduce their own federal tax payments. The credit can be claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains throughout the compliance period, usually 30 years.

Market Share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Median Income: The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

Metropolitan Division (MD): A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD is one or more main/secondary counties representing an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area (MSA): CBSA associated with at least one urbanized area having a population of at least 50,000. The MSA comprises the central county or counties or equivalent entities containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

Micropolitan Statistical Area: CBSA associated with at least one urbanized area having a population of at least 10,000, but less than 50,000.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

Multi-family: Refers to a residential structure that contains five or more units.

Nonmetropolitan Area: All areas outside of metropolitan areas. The definition of non-metropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and non-metropolitan areas.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified Investment: A lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated Area: A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

Rural Area: Territories, populations, and housing units that are not classified as urban.

Small Business Investment Company (SBIC): SBICs are privately-owned investment companies which are licensed and regulated by the Small Business Administration (SBA). SBICs provide long-term loans and/or venture capital to small firms. Because money for venture or risk investments is difficult for small firms to obtain, SBA provides assistance to SBICs to stimulate and supplement the flow of private equity and long-term loan funds to small companies. Venture capitalists participate in the SBIC program to supplement their own private capital with funds borrowed at favorable rates through SBA's guarantee of SBIC debentures. These SCIC debentures are then sold to private investors. An SBIC's success is linked to the growth and profitability of the companies that it finances. Therefore, some SBICs primarily assist businesses with significant growth potential, such as new firms in innovative industries. SBICs finance small firms by providing straight loans and/or equity-type investments. This kind of financing gives them partial ownership of those businesses and the possibility of sharing in the companies' profits as they grow and prosper.

Small Business Loan: A loan included in "loans to small businesses" as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of $1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

Small Farm Loan: A loan included in "loans to small farms" as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of $500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

Underserved Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as underserved if it meets criteria for:

- population size, density, and dispersion indicating the area's population is sufficiently small, thin, and
- distant from a population center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

Upper-Income: Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent in the case of a geography.

Urban Area: All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, "urban" consists of territory, persons, and housing units in places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin). "Urban" excludes the rural portions of "extended cities"; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

1) Make its most current CRA performance evaluation available to the public;

2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;

3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks at 254 Cabot Street, Beverly, Massachusetts 01915."

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that assessment shall also include the address of the designated office for that assessment area.]

4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

   The format and content of the institution's evaluation, as prepared by its supervisory agencies, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.